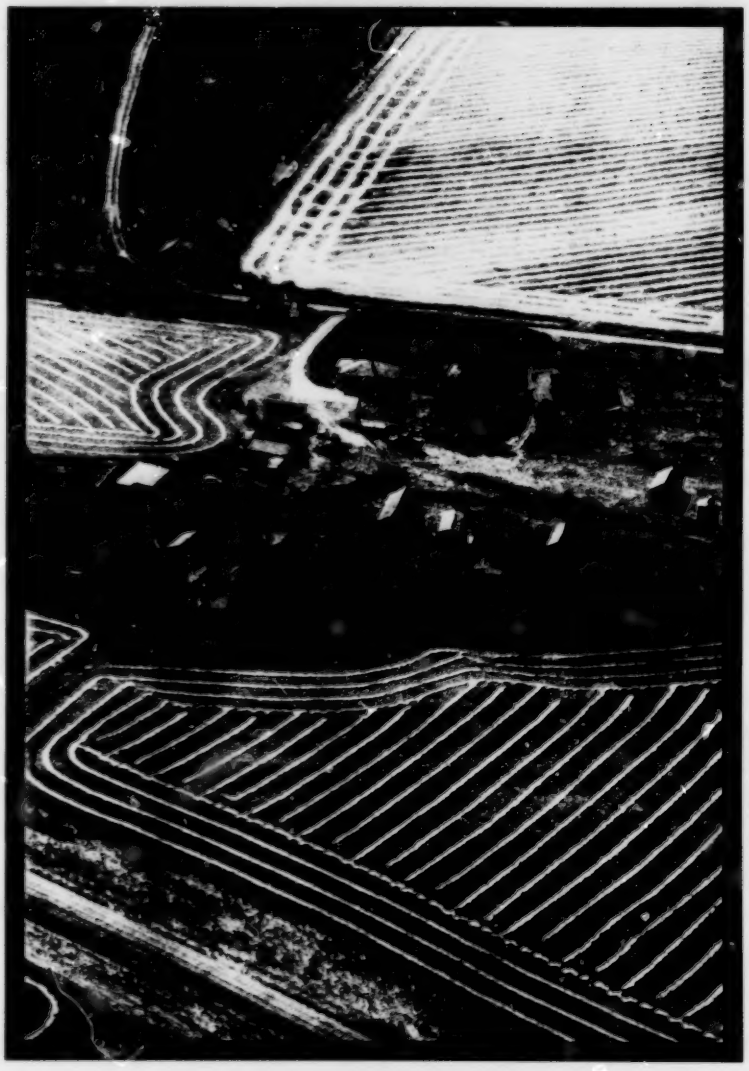
A N N U A L

Agricultural Credit Corporation of Saskatchewan



//ACS

1989 - 90

R E P O R T

91-04268/

OUR MISSION

Dedicated to strengthening agriculture through leadership and innovation in financing.

//ACS A Credit to Saskatchewan

CONTENTS

	Page
Letter of Transmittal	2
Message from the Minister	3
President's Report	4
ACS Programs	5
Capital Loan Program	7
Investment Loan Program	7
Livestock Cash Advance Program	7
Guaranteed Vendor Mortgage Program	8
Guaranteed Operating Loan Program	8
Production Loan Program	9
Management Letter	9
Auditors' Report	10
Statement of Financial Position	11
Statement of Operations and Equity	12
Statement of Changes in Cash Position	13
Notes to the Financial Statements	19
Schedule of Administrative Expenses	20
Board of Directors and Corporate Management	

LETTER OF TRANSMITTAL

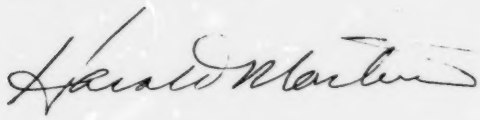
Regina, Saskatchewan
July 16, 1990

To Her Honour
The Honourable Sylvia O. Fedoruk, O.C., S.O.M.
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to present the Annual Report of the Agricultural Credit Corporation of Saskatchewan for the fiscal year ended March 31, 1990.

Respectfully submitted,



Hon. Harold Martens
Minister Responsible for the
Agricultural Credit Corporation
of Saskatchewan

MESSAGE FROM THE MINISTER

Viability of Saskatchewan's agricultural industry and our ability to remain competitive in the global market-place are issues of tremendous importance to all people in the province.

One of the significant management concerns facing today's producers is access to farm financing. In response to these concerns, the Government of Saskatchewan implemented new legislation to expand the mandate of the Agricultural Credit Corporation of Saskatchewan. The expanded mandate allows ACS to better meet the financial needs of Saskatchewan farmers without discouraging the continued participation of other lenders in agricultural financing.

Changes to the legislation, which went into effect in September of 1989, have broadened the scope of ACS lending. Loans are now available for a greater number of purposes under more flexible criteria, including non-traditional purposes such as game ranching. For example, loans are available for the purchase of a home quarter section and all existing buildings and improvements. Farmers who have negotiated a debt settlement with their existing lenders may apply to ACS for financing of that settlement under certain conditions. Furthermore, farmers who wish to sell their land may obtain an ACS guarantee for the sale through the Guaranteed Vendor Mortgage Program.

In the future, ACS will continue to encourage diversification within the Saskatchewan economy, and make agricultural credit available in situations where needs are not being met by other lenders. This will help more Saskatchewan producers establish and develop viable farm operations.

Agriculture is the foundation of our Saskatchewan way of life and it is the backbone of our economy. As a Crown Corporation of the Government of Saskatchewan, ACS is committed to ensuring that Saskatchewan's agricultural industry remains viable and competitive as we move through the 90's and into the 21st century.

Hon. Harold Martens
Minister Responsible for the
Agricultural Credit Corporation
of Saskatchewan.

PRESIDENT'S REPORT

The 1989/90 fiscal year was one of substantial change for the Agricultural Credit Corporation of Saskatchewan (ACS). These changes, announced in the 1989 Throne Speech, expanded the mandate of the Corporation to provide financing for a greater number of purposes under less restrictive criteria. This expansion arose out of a concern that many farmers in the province were unable to obtain the financing they required to maintain or develop viable farm enterprises.

Loan statistics illustrate the increased demand which ACS experienced for its Capital Loan Program. During 1989/90, 498 Capital loans were approved compared to 202 in the previous fiscal year.

Over 42% of the approvals were for home quarter, debt settlement, and refinancing loans, the new purposes under the Capital Loan Program. Many young farmers took this opportunity to purchase a home quarter as a base for their farm operation. Others who had experienced financial difficulty but had reached a settlement agreement with their lenders were able to re-establish their farms with financing from ACS.

The Guaranteed Vendor Mortgage Program was introduced in 1989 to facilitate the sale of farm property by providing a guarantee on land mortgages financed by the vendor. The program has been slow to gain acceptance in the province but the number of applications under the program is increasing.

The Corporation's commitment to the livestock industry has been continued through the Investment Loan Program (ILP) and Livestock Cash Advance Program (LCAP). The ILP allowed Saskatchewan investors to diversify into hogs by providing over $3 million in loans. The LCAP remained active with 14,173 producers enjoying the benefits of interest-free loans for another 12 month term.

While the Corporation experienced a surge in demand for its services, the agricultural sector in Saskatchewan continues to suffer from low commodity prices, high input costs and an excessive debt load. Poor profit margins made operating credit difficult to obtain and lead the government to announce a Spring Seeding Program to be available in April of 1990. ACS will administer the program and guarantee the funds disbursed by banks and credit unions.

Beyond spring seeding, however, there continues to be a need for debt restructuring in Saskatchewan. Farmers cannot obtain reasonable returns for their labour when debt service costs form a large part of overall farm costs. ACS and other agricultural lenders in the province are currently seeking ways to reduce farm debt and place the sector on more solid financial ground.

Norm Ballagh
President

CAPITAL LOAN PROGRAM

In 1989, in response to changes in the credit needs of Saskatchewan farmers, the mandate of the Agricultural Credit Corporation of Saskatchewan (ACS) was expanded. The Corporation maintains its commitment to diversification but now also provides agricultural credit under less restrictive criteria for purposes not readily served by other lenders. These new purposes include the purchase of a home quarter section of land and financing debt settlements which farmers negotiate with their other creditors.

Eligibility criteria were also changed in 1989 to increase farmers' access to the program. Restrictions on non-farm income were removed to allow part-time farmers to qualify and the maximum net worth allowed for preferred rates was raised to $500,000. Farmers whose net worth exceeds $500,000 are eligible for financing at non-subsidized rates for a limited number of purposes.

Loan terms were modified to maintain long-term, stable rates which benefit clients. Subsidized loans are available at interest rates beginning as low as 9.75%. Non-subsidized loans are available at an interest rate equal to the Corporation's cost of borrowing plus 2%. The maximum loan term is 25 years.

Assistance Provided

During the 1989/90 fiscal year, ACS approved 498 loans valued at $22,577,925. This is a 247% increase over the level of loan approvals in the previous year. Of the 498 approvals, 387 were provided in the second half of the year following the expansion of the program.

Livestock loans continued to be the mainstay of the program with hogs, beef, dairy and poultry accounting for 53% of the approvals. Demand for loans under the program expansion was substantial, however, accounting for 42% of total approvals. 116 home quarter loans were approved as were 59 debt settlement and 35 refinancing loans.

The total dollars outstanding to ACS under the Capital Loan Program at March 31, 1990 were $152,266,712 divided among 5,571 loans. This dollar amount represents both current and delinquent principal and interest.

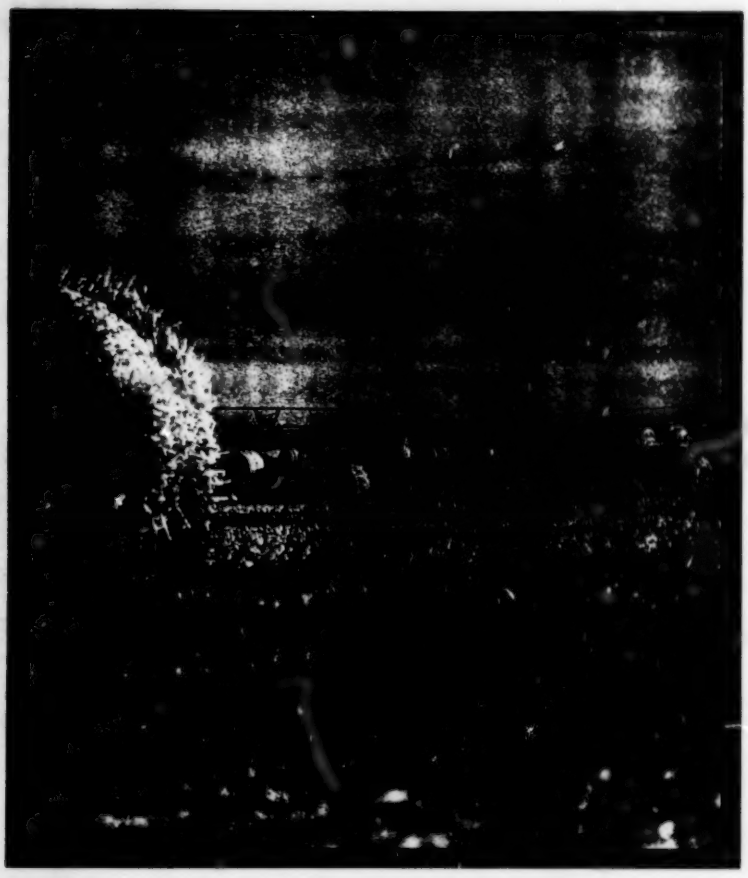
Repayment

At March 31, 1990, ACS had 3,735 active Capital loan clients of whom 3,160 were in the repayment phase of their loans. This is down slightly from the previous year and does not reflect the large volume of loans approved in the latter part of 1989/90 as the majority of these loans are not yet disbursed.

Within the Capital Loan Program, 33.5% of the clients and 34.8% of the dollars outstanding were in arrears at year-end compared to 26.8% and 33.0% respectively in 1988/89. ACS staff work with clients to arrange mutually acceptable repayment terms when arrears occur, but Saskatchewan farmers continue to face economic circumstances which make repayment difficult.

Client Profile

The financial characteristics of borrowers receiving loans in 1989/90 under the Capital Loan Program were examined.



The profile showed the average client to be 34 years old, with a gross farm income of $41,785 and a net income of $7,409. This farmer had gross assets valued at $285,714 and a net worth of $155,574. Debt carried by this average farmer consisted of $31,186 short-term and $132,317 long-term. This farmer earned $8,039 from off farm income, owned 515 acres of land and rented an additional 525 acres. This average client was approved for loans totalling $93,801.

Table 1
Total Capital Loans Approved From Program Commencement

Year	Number	Amount
1973-83	6,837	$234,797,319*
1983-84	295	13,778,096
1984-85	381	20,863,676
1985-86	205	13,099,775
1986-87	417	20,540,242
1987-88	283	11,068,747
1988-89	202	9,552,094
1989-90	498	22,577,925
Total	9,118	$346,277,874

*represents loans of $212,861,306 and grants of $21,936,013. Grants were discontinued in October 1983

Table 2
Capital Loan Approvals by Type and Region For The Year Ended March 31, 1990

	Livestock	Home Quarter	Debt Settlement	Refinancing	Other	Total
Weyburn	$ 984,527	$ 484,198	$ 679,890	$ 58,716	$123,528	$ 2,330,859
Swift Current	2,916,805	1,356,082	1,595,732	516,872	537,052	6,922,543
Tisdale	1,177,859	1,056,296	1,008,659	28,120	110,568	3,381,502
Saskatoon	2,865,883	1,188,773	442,488	1,222,312	217,126	5,936,582
North Battleford	1,510,760	606,222	1,542,366	347,091	0	4,006,439
Total	$9,455,834	$4,691,571	$5,269,135	$2,173,111	$988,274	$22,577,925

Table 3
Capital Loans Outstanding
At March 31, 1990

Type	Loans	Amount
Hogs	1,042	$ 36,942,849
Beef	3,245	63,767,230
Dairy	614	28,254,566
Poultry	85	5,503,296
Sheep	33	578,938
Bees	110	3,838,456
Irrigation	187	7,507,526
Home Quarter	116	2,384,082
Debt Settlement	59	2,401,977
Refinancing	32	290,201
Other	48	797,591
Total	5,571	$152,266,712

INVESTMENT LOAN PROGRAM

The Investment Loan Program provides long-term financing at preferred rates to groups of investors establishing a joint hog production unit or beef feedlot operation in Saskatchewan. This allows farmers and other investors to participate in diversification through partial ownership of a livestock enterprise of sufficient scale for efficiency of production.

Loans of up to $8 million are available over a maximum of 25 years at preferred rates. During the 1989/90 fiscal year, the first 8 loans for $3,007,550 were approved to establish large-scale hog operations. At March 31, 1990, $2,536,165 was outstanding on these loans.

LIVESTOCK CASH ADVANCE PROGRAM

The Livestock Cash Advance Program provides producers with operating assistance in the form of 12 month, interest-free loans. The program is ongoing and loans may be extended on a year to year basis so long as the required number of animals is maintained.

In 1989 the program was expanded to include game animals raised in captivity.

Funds may be obtained on 70% of an applicant's animals based on the following values:

Cattle, horses, bison, elk, caribou, moose	$125/head
Sheep, goats, hogs, antelope, fallow deer, mule deer, whitetail deer	$ 25/head

During the 1989/90 year, $10,615,200 was disbursed bringing the total dollars disbursed since the program's inception to $249,942,757. At the fiscal year end, $145,377,447 was outstanding to 14,173 clients.

GUARANTEED VENDOR MORTGAGE PROGRAM

The Corporation introduced a new program in 1989, the Guaranteed Vendor Mortgage (GVM) Program, to facilitate the inter-generational transfer of farm property. The GVM provides a guarantee on farm land mortgages financed by a farm vendor within terms outlined by the Corporation.

No guarantees were issued during 1989/90, however, several applications are nearing the point of completion. The program has been slowly gaining acceptance among farmers as its benefits become understood.

GUARANTEED OPERATING LOAN PROGRAM

To assist those clients who have obtained a Capital loan but who lack the necessary finances to meet immediate cash flow requirements, the Corporation will guarantee 90% of the operating funds which a commercial lender provides to the client.

During the 1989/90 fiscal year, ACS guaranteed 3 operating loans for a total value of $75,098. At March 31, 1990 $278,356 was guaranteed under the program.

PRODUCTION LOAN PROGRAM

Repayment of the Production Loan Program (PLP), a low interest operating loan disbursed in 1986, continues. The term of the original PLP expired in 1989 and as of March 31, 1990, 24,966 of the original 57,614 loans have been repaid. 32,648 loans remain outstanding, the majority of which are on an extended repayment plan which will see repayment completed in 1997. While the program originally disbursed $1.09 billion, the balance outstanding at March 31, 1990 was $527,569,258.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the Agricultural Credit Corporation of Saskatchewan (ACS) and all information in this annual report are the responsibility of management. The statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Financial information presented elsewhere in the annual report is consistent with that presented in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded and proper records are maintained.

The Audit Committee of the Board, which is comprised of directors who are not employees of the Corporation, has reviewed the financial statements, including the notes thereto, with management and the external auditors. The statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

The Corporation's independent auditors, Price Waterhouse, have been appointed to express an opinion on these financial statements. Their report follows.

Morley L. Machin
Vice-President
Administration

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have examined the statement of financial position of the Agricultural Credit Corporation of Saskatchewan as at March 31, 1990 and the statements of operations and equity and changes in cash position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its cash position for the year then ended in accordance with the accounting principles disclosed in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Price Waterhouse
Chartered Accountants

Saskatoon, Saskatchewan
May 25, 1990

Statement of Financial Position
as at March 31

Statement 1

(in thousands)

	1990	1989
Assets		
Cash	**$ —**	$ 547
Accounts receivable	**258**	6,882
Loans receivable (Notes 3 & 5)	**828,235**	981,253
Less: Allowance for loan losses (Note 4)	**142,479**	144,278
	685,756	836,975
Assets held for resale (Note 2h)	**1,462**	—
Office equipment (Note 2d)	**1,611**	989
Prepaid and deferred costs (Note 2e)	**4,653**	2,924
	$693,740	$848,317
Liabilities		
Bank indebtedness	**$ 628**	$ —
Interest and other accrued payables	**17,424**	21,152
Unexpended grants repayable (Note 8)	**4,734**	2,963
Payable to Department of Agriculture and Food (Note 3e)	**2**	5
Notes payable (Note 6a)	**99,165**	94,700
Current portion of Long-term debt (Note 6b)	**150,000**	158,400
Long-term debt (Note 6b)	**419,843**	569,843
	691,796	847,063
Equity		
Equity in office equipment	**1,611**	989
Accumulated surplus (Statement 2)	**333**	265
	1,944	1,254
	$693,740	$848,317

The accompanying notes are an integral part of the financial statements

Statement of Operations and Equity
For the year ended March 31

Statement 2

(in thousands)

	1990	1989
Interest income		
Loans receivable	**$68,905**	$74,427
Interest expense (Note 7)		
Notes payable	**11,893**	24,590
Long-term debt	**68,723**	73,080
	80,616	97,670
Net interest expense	**11,711**	23,243
Provision for loan losses (Note 4)	**4,676**	3,285
Administrative expenses (Schedule 1)	**10,372**	8,391
Other income	**(2,658)**	(3,096)
Loss before grants	**24,101**	31,823
Grants from the Province of Saskatchewan (Note 8)	**24,169**	31,793
Surplus (loss) for the year	**68**	(30)
Surplus at beginning of the year	**265**	295
Surplus at end of the year	**$ 333**	$ 265

The accompanying notes are an integral part of the financial statements

Statement of Changes in Cash Position
For the year ended March 31

Statement 3

(in thousands)

	1990	1989
Cash provided by (used in):		
Operating activities		
Surplus (loss) for the year	**$ 68**	$ (30)
Items not involving cash		
Increase in provision for loan losses	**4,676**	3,285
Increase in accrued interest on loans receivable	**(11,284)**	(3,573)
Increase (decrease) in accrued interest on debt payable	**(3,954)**	77
Amortization of debt issuing costs	**1,380**	2,100
Discount on notes payable	**(3,132)**	—
Other non-cash items	**(1,121)**	199
	(13,367)	2,058
Loans to farmers	**(27,458)**	(15,839)
Loans receivable repaid	**185,195**	234,917
Other loan receivables	**(386)**	(207)
Other operating activities	**8,776**	(5,003)
Cash provided by operating activities	**152,760**	215,926
Financing activities		
Long-term debt repaid	**(158,400)**	—
Net increase (decrease) in notes payable	**4,465**	(217,800)
Cash used in financing activities	**(153,935)**	(217,800)
Net decrease in cash	**(1,175)**	(1,874)
Cash at beginning of the year	**547**	2,421
Cash (bank indebtedness) at end of the year	**$ (628)**	$ 547

The accompanying notes are an integral part of the financial statements

Agricultural Credit Corporation of Saskatchewan

1. Status of the Corporation

The Agricultural Credit Corporation of Saskatchewan Act came into force on January 1, 1984 repealing **The Agricultural Incentives Act,** proclaimed July 3, 1973. This new Act established the Agricultural Credit Corporation of Saskatchewan as a continuance for the corporation known as FarmStart which was previously established by **The Agricultural Incentives Act.** Under this new Act, a fund known as The FarmStart Fund was continued as the Agricultural Credit Corporation of Saskatchewan Fund, through which all transactions reflected in these statements were conducted.

2. Significant Accounting Policies

(a) The Corporation has adopted the accrual basis of accounting.

(b) Provincial grant funds received for the fiscal year which are surplus to the program for which they were provided are reported on the Statement of Financial Position as Unexpended grants repayable. Accordingly, the Grants from the Province of Saskatchewan on the Statement of Operations and Equity reflect only the amounts required to meet the net costs of the Corporation's programs.

Net costs incurred in a fiscal year which exceed the grant provided for that purpose are reported in the financial statements as a deficit for the year and may be recovered from the grant to be received for that purpose in a subsequent year.

(c) Amounts recovered from farmers in respect of grants paid to them in prior years are retained by the Corporation and are reported as surplus.

(d) Office equipment is expensed during the year of purchase. To maintain accountability for this equipment, the cost, net of disposals, is reflected on the Statement of Financial Position as an asset with an offsetting equity balance.

(e) Discounts and expenses relating to the issuance of debt are amortized on a straight-line basis over the life of the debt and included in Interest expense on Long-term debt. The unamortized costs are carried on the Statement of Financial Position in Prepaid and deferred costs.

(f) Bonds and the related interest thereon payable in foreign currencies are hedged by currency contracts and are converted into Canadian dollars at the rates provided therein. The differences between the ultimate amounts payable at the contracted rates and the cash proceeds of the debt issues are considered to be financing costs and are amortized on a straight-line basis over the life of the debt as an Interest expense on Long-term debt.

(g) The allowance for loan losses represents management's estimate of probable losses on the accounts outstanding at the end of the fiscal year. This allowance has been based, in general, upon an estimate of probable loan losses which have not yet been identified and, in part, on a review of existing loans in arrears (Note 4).

Actual loan losses are charged to the allowance while recoveries are credited to the allowance. The adjustment of the allowance to the level regarded by management as being appropriate is reflected in the Statement of Operations and Equity as the Provision for loan losses.

(h) The Corporation operates dairy and beekeeping enterprises on properties acquired through settlement, quit claim or foreclosure in order to preserve the total asset value. These enterprises are reported on the Statement of Financial Position as Assets held for resale and have been valued at their fair market value at the date of acquisition, adjusted by any subsequent income or loss from their operation.

In prior years, the value of these assets was included in Loans receivable and the net operating income or loss was reflected in Accounts receivable. The prior year balances have not been restated to reflect this reclassification.

3. Loan Programs

(a) *Capital Loan Program*
Loans are repayable, with interest, over terms not exceeding twenty-five years. The loans bear interest at rates varying between 6% and the market rate, depending upon the purpose and the year of issue. Security on individual loans varies according to what is considered adequate in particular circumstances, and includes mortgages on real property, security agreements and guarantees, as well as insurance on the lives of the borrowers.

(b) *Investment Loan Program*
Investment loans bear interest at rates varying between 9¼% and cost of funds and are repayable over terms not exceeding twenty-five years. Security on the loans varies and may include mortgages on real property, security agreements and personal guarantees.

(c) *Production Loan Program*
Production loans were introduced in January 1986 to provide farmers, bee colony owners, potato producers and greenhouse operators with loans bearing interest at 6% repayable in equal principal installments over a term of three years. Loan disbursements on this program were completed December 31, 1986. Amendments to the program allow the borrowers to reamortize their outstanding loans to mature in 1997. These amended loans bear interest at 9¼%.

The loans are secured by promissory notes and, where applicable, by shareholder guarantees and general security agreements.

(d) *Livestock Cash Advance Program*
The Livestock Cash Advance program provides livestock producers with loans on 70% of their livestock inventory. The loans are interest free for twelve months from the date of approval, or less if the number of livestock is reduced, and may be extended for one year periods based upon herd inventory figures provided by the client.

Prior to August 1, 1987, the Corporation provided interest free loans on 100% of the livestock inventory. To implement the 70% cash advance level, borrowers with livestock loans outstanding on July 31, 1987 were provided the option at maturity of repaying 30% of their loan or converting the 30% payment required to a loan bearing interest at 8% repayable in three equal annual principal installments. The first payment of principal and interest was due one year after the original loan matured.

(e) *Other Loans*

Under Parts VI, VII and VIII of the Regulations under **The Agricultural Incentives Act**, the Corporation was authorized to make cash advances to cattle producers for the purpose of maintaining their breeding stock. This program expired on March 31, 1980, and all loans and accrued interest became due and payable.

The Corporation administers Conservation and Development Loans for the Department of Agriculture and Food. Principal and interest payments received on these loans during the year are recorded as a payable to the Department of Agriculture and Food. The loan balances are not included in the Corporation's statements.

4. Allowance for Loan Losses

	1990	1989
	(in thousands)	
Balance at beginning of year	**$144,278**	$146,551
Allowance fees charged and interest credited	**341**	169
Grant for loan losses	**4,676**	3,285
Loan losses recovered (adjusted)	**76**	(22)
Actual loan losses and write-offs	**(6,892)**	(5,705)
Balance at end of year	**$142,479**	$144,278

The allowance for Capital loans approved prior to October 1, 1987, and for Production loans, Livestock Cash Advance loans and Other loans is funded by a grant from the Province of Saskatchewan.

Capital loan applicants approved after October 1, 1987 are charged a 2% Capital Loan Allowance fee which is set aside in a separate account to provide funding for loan losses on Capital loans approved after that date. Interest is credited to the account on the previous month end balance at the rate of interest being paid by the Corporation on promissory notes due to the Province of Saskatchewan.

5. Loans Receivable

	1990			1989		
	(in thousands)					
	Gross	**Allowance**	**Net**	**Gross**	**Allowance**	**Net**
Capital and investment loans	**$155,062**	**$ 21,375**	**$133,687**	$151,938	$ 18,325	$133,613
Production loans	**527,569**	**104,861**	**422,708**	680,365	107,890	572,475
Livestock cash advances	**145,377**	**16,115**	**129,262**	148,702	17,933	130,769
Other loans	**227**	**128**	**99**	248	130	118
Totals	**$828,235**	**$142,479**	**$685,756**	$981,253	$144,278	$836,975

6. Borrowing

Under Section 19 of **The Agricultural Credit Corporation of Saskatchewan Act** the Corporation may, with the approval of the Lieutenant Governor in Council, borrow monies from various sources as it deems necessary for its purposes. Section 22 restricts total borrowing by the Corporation to $2,000,000,000.

(a) *Notes Payable*

A note due to the Province of Saskatchewan Consolidated Fund for $99,165,000 is outstanding at March 31, 1990 (1989 — $94,700,000). The note is due June 28, 1990 and bears interest at 13.38% (1989 — 12.25%).

(b) *Long-term Debt*

All long-term debt is repayable to the Province of Saskatchewan Consolidated Fund. Principal is due at maturity and bears interest at the weighted average interest rates set out in the following table:

(in thousands)	1990		1989	
Year of Maturity	**Amount Due**	**Weighted Average Interest Rate**	**Amount Due**	**Weighted Average Interest Rate**
Debentures				
1994	**$ 17,845**	**9.00%**	$ 17,845	9.00%
1995	**19,292**	**8.77**	19,292	8.77
1996	**32,498**	**9.04**	32,498	9.04
1998	**4,657**	**9.49**	4,657	9.49
2000	**22,580**	**12.15**	22,580	12.15
2001	**28,412**	**15.36**	28,412	15.36
2002	**31,042**	**15.70**	31,042	15.70
2003	**13,517**	**11.59**	13,517	11.59
	$169,843	**11.91%**	$169,843	11.91%
Bonds				
1989	**$ —**	**—%**	$ 68,400*	6.25%
1990	**150,000****	**9.50**	240,000**	9.13
1993	**50,000**	**9.75**	50,000	9.75
1996	**200,000**	**9.63**	200,000	9.63
	$400,000	**9.60%**	$558,400	9.01%
Total	**$569,843**	**10.29%**	$728,243	9.68%
Less: Long-term debt due in one year	**150,000**		158,400	
	$419,843		$569,843	

*Swiss Franc/Canadian Dollar dual currency issue converted to Canadian Dollars with interest payable in Swiss Francs and principal repayable in Canadian Dollars

**Euro Canadian Dollar issues

7. Debt Servicing Costs

	1990	1989
	(in thousands)	
Interest on notes payable	**$11,893**	$24,590
Interest on long term debt	**67,089**	70,342
Amortized bond costs	**1,634**	2,738
	$80,616	$97,670

8. Appropriations from the Province of Saskatchewan — Department of Agriculture and Food

Under Section 29 of **The Agricultural Credit Corporation of Saskatchewan Act,** the Minister of Agriculture and Food may make grants to the Corporation out of monies appropriated by the Legislature. During the year ended March 31, 1990, grants were received for the payment of administration costs, interest on borrowed funds, losses incurred on loans extended under the Act, and costs incurred in honouring guarantees made under the Act. The Corporation is required to repay to the Consolidated Fund any surplus remaining from the grants received by it during the year.

Amounts recovered from farmers in respect of grants paid to them in prior years under the Capital Loan Program are retained by the Corporation as surplus (Note 2c).

The following table summarizes activity for the year ended March 31, 1990:

(in thousands)	Administration	Interest Subsidy	Loan Losses & Guarantees	Capital Grants Recovered	Total
Appropriations approved	$ 7,469	$17,184	$ 6,000	$ —	$ 30,653
Virements approved	750	(2,500)	—	—	(1,750)
Grant proceeds received	8,219	14,684	6,000	—	28,903
Expenditures	10,372	80,616	12,941	—	103,929
Transfer to surplus (Note 2c)	—	—	—	68	68
Less — Revenue	(2,590)	(68,905)	(8,265)	(68)	(79,828)
Net expenditure for purpose specified	7,782	11,711	4,676	—	24,169
Unexpended grant repayable	$ 437	$ 2,973	$ 1,324	$ —	$ 4,734

9. Guaranteed Loans Under The Agricultural Credit Corporation of Saskatchewan Act

The Corporation provides guarantees on loans extended to farmers by commercial banks and credit unions.

Capital loan clients may be approved for guaranteed operating loans to help finance their operation. Loans approved prior to January 1, 1984 are guaranteed for 80% while loans subsequent to that date are guaranteed for 90%. The contingent liability of the Corporation for guaranteed operating loans outstanding or approved at March 31, 1990 is $248,399 (1989 — $288,149).

Loans to feed lot operators made prior to the December 31, 1986 program expiry date are guaranteed for 80%. The contingent liability of the Corporation for guaranteed operating loans for feeders outstanding at March 31, 1990 is $34,163 (1989 — $30,504).

Loans to livestock producers made prior to the December 31, 1983 program expiry date are guaranteed for 80%. The contingent liability of the corporation for guaranteed livestock loans outstanding at March 31, 1990 is $10,048 (1989 — $23,151).

10. Commitments

At March 31, 1990 there were approximately $12,511,082 (1989 — $4,089,467) in Capital loans approved but not yet disbursed.

11. Related Party Transactions

Routine operating transactions with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related are conducted at prevailing market rates. These financial statements include the expense amounts resulting from occupancy costs and other routine operating transactions. All accounts are settled on normal trade terms and any outstanding amounts are included in the Statement of Financial Position.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and notes thereto.

12. Directors and Officers

The aggregate remuneration of directors and officers for the fiscal year included in salaries and benefits on Schedule 1 amounted to $261,950 (1989 — $227,670).

13. Subsequent Event

On March 29, 1990, the Minister of Finance introduced the Saskatchewan Spring Seeding Program to be administered through ACS.

This new program provides a 100% guarantee by the Corporation to banks and credit unions on funds lent to their farmer clients for 1990 input costs such as seed, fertilizer, fuel, chemicals and repairs. The loans to the farmers are at 10¾% and are repayable by January 15, 1991. The lender may file a claim with the Corporation for any amount unpaid on the due date and in so doing, must assign to ACS its General Security Agreement from the client.

In addition to providing the 100% guarantee to the lender, the Corporation will pay the lender an amount equal to the difference between the 10¾% paid by the borrower on the Spring Seeding loan balance outstanding and the interest that would be payable if it was calculated at the lender's prime lending rate for commercial customers. This interest payment is due within 60 days of the January 15, 1991 loan maturity date.

At May 25, 1990, the Corporation has guaranteed $91,634,777 in Spring Seeding loans approved through the lenders.

14. Comparative Figures

Certain of the prior year comparative figures have been reclassified to conform with the current year presentation.

Schedule of Administrative Expenses
For the year ended March 31 **Schedule 1**
(in thousands)

	1990	1989
Advertising	**$ 139**	$ 62
Communications	**431**	439
Data processing	**1,579**	1,352
Legal and registration fees	**1,294**	1,389
Office equipment and supplies	**329**	310
Office occupancy	**555**	484
Professional services	**142**	165
Salaries and benefits (Note 12)	**5,565**	3,907
Travel and sustenance	**338**	283
Total Administrative Expenses	**$10,372**	$8,391

ACS BOARD OF DIRECTORS

Lynn Biggart, Cut Knife, Sask.	Chairman
Herb Axten, Minton, Sask.	Vice-Chairman
John Schreiner, Saskatoon, Sask.	Member
Connie Blacklock, Saskatoon, Sask.	Member
Larry Sommerfeld, Allan, Sask.	Member
Dorothy Ranger, Leask, Sask.	Member
Bill Cooper, West Bend, Sask.	Member
Neil Stevenson, Richlea, Sask.	Member
Marlys Anderson, Rose Valley, Sask.	Member
Bob Linnell, Weyburn, Sask.	Member

ACS CORPORATE MANAGEMENT

Norm Ballagh	President
Morley Machin	Vice-President Administration
Denis Côté	Vice-President Lending
Dave Gabruch	Director Lending
Barry Miller	Director Finance
Margot Sommerville	Manager Research
Gerry Martins	Manager Special Loans
Bob Shoemaker	Manager Loan Administration
Allan Zasitko	Manager Management Information Systems
Mohammed Khatri	Manager Accounting
Dale Ferrel	Manager Administration
Bill Logan	Manager Human Resources

CORPORATION OFFICES

HEAD OFFICE
250 Central Avenue North
Box 820
Swift Current, Saskatchewan
S9H 4Y7
778-8455 Toll Free 1-800-667-7410

1. SOUTH-EAST REGION
Regional Manager — Lyle Ballard

REGIONAL OFFICE	DISTRICT OFFICES
Weyburn Square	Indian Head
110 Souris Avenue	695-2263
Box 2003	Moosomin
Weyburn, Saskatchewan	435-3357
S4H 2Z9	Regina
848-2373	787-2359
	Estevan
	634-0700

2. SOUTH-WEST REGION
Regional Manager — Dennis Lafreniere

REGIONAL OFFICE	DISTRICT OFFICES
E.I. Wood Building	Assiniboia
350 Cheadle Street West	642-4624
Swift Current,	Moose Jaw
Saskatchewan	694-3615
S9H 4G3	Maple Creek
778-8485	662-2464

3. NORTH EAST REGION
Regional Manager — Don Pierce

REGIONAL OFFICE	DISTRICT OFFICES
Provincial Building	Prince Albert
1107-99th Street	953-2770
Box 1480	Yorkton
Tisdale, Saskatchewan	786-1550
S0E 1T0	
873-2266	

4. CENTRAL REGION
Regional Manager — Joe Rakochy

REGIONAL OFFICE	DISTRICT OFFICES
3130-8th Street East	Outlook
Saskatoon,	867-8684
Saskatchewan	Watrous
S9K 2H6	946-2266
933-5353	Humboldt
	682-5688
	Wynyard
	554-3736

5. NORTH-WEST REGION
Regional Manager — Bob Foreman

REGIONAL OFFICE	DISTRICT OFFICES
509 Pioneer Avenue	Shellbrook
Rural Service Centre	747-2151
North Battleford,	Meadow Lake
Saskatchewan	236-4441
S9A 1E9	Kindersley
446-7667	463-2696